SUPPLEMENT TO THE GOVERNMENT'S
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ACTION

Action Plan to Support Employment and Economic Activity: Status Report

Finances Québec

Building the future

Action Plan to Support Employment and Economic Activity: Status Report
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ACTION PLAN TO SUPPORT EMPLOYMENT AND ECONOMIC ACTIVITY: STATUS REPORT

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INTRODUCTION

Well before the dramatic events of last September 11, experts were predicting that economic growth would slow in 2001. On September 11, while some signs indicated that the United States was emerging from its economic slowdown, the terrorist attacks in New York and Washington inflicted a major blow to the world economy. After these events, there was a real danger of the slowdown turning into recession.

In this context, the Québec government decided to act quickly and marshal all the resources available to it to ensure the safety of individuals, sustain consumer confidence, stimulate employment and growth, and improve public services.

Last November 1, the Deputy Premier and Minister of State for the Economy and Finance, Pauline Marois, tabled the 2002-2003 Budget, which contained the "Government's Action Plan to Support Employment and Economic Activity".

This three-part action plan:

- supported household consumption with a rapid injection of $400 million into the economy;
- provided support for small and medium-size business (SMB) and private investment;
- and stipulated a $3-billion acceleration of public-sector investments.

Accordingly, through effective and well-planned action, the government forecast that it would add 0.7% to Québec's gross domestic product, bringing it to 1.7% in 2002.

This paper gives a progress report on the implementation of the various components of the Action Plan to Support Employment and Economic Activity with particular emphasis on the $3-billion Public-Sector Investment Acceleration Plan.

ACTION PLAN TO SUPPORT EMPLOYMENT AND ECONOMIC ACTIVITY: STATUS REPORT

The government's action plan to support employment and economic activity tabled as part of the 2002-2003 Budget consisted of three components:

- $400 million to bolster household consumption;
- measures to support SMBs and encourage the acceleration of private-sector investments;
- a Public-Sector Investment Acceleration Plan totalling $3 billion.

Implementation of the action plan is well under way.

$400 million to bolster household consumption

The action plan's initial target was to support household consumption by quickly injecting $400 million into the economy with half of that amount before the end of 2001.

Accordingly, the government paid a supplement of $100 per adult, in December 2001, to the 2.5 million recipients of the QST tax credit. This measure quickly injected $250 million into the economy last December. It undoubtedly contributed to the rise in retail sales last December.

Furthermore, the parameters of the tax system were indexed by 2.7% last January 1 rather than 1.8% as initially planned. This additional adjustment translates into a personal income tax reduction of $77 million for 2002.

Lastly, last January 1, the government also indexed social assistance benefits by 2.7%, thus adding $75 million, in 2002, to the 360 000 households that receive income security.

The measures taken since last December to support consumption certainly contributed to the rise in consumer confidence. According to the Conference Board of Canada index, consumer confidence in Québec has risen by close to 30% since October 2001.

Measures to support SMBs and encourage the acceleration of private-sector investments

Another component of the action plan was designed to assist businesses to get through this period of uncertainty and to stimulate private investment.

First, to improve the cash flow of SMBs, the government allowed a six-month deferral of tax instalment payments for the last quarter of 2001. In addition, to make the business tax system more competitive, the government announced a reduction in the tax on capital of over 50% by 2007. The reduction will be quicker for SMBs. By January 2003, 60% of them, i.e. 160 000 SMBs, will no longer pay tax on capital.

Lastly, some programs dealing with the new economy were extended until 2013 and the territorial range of the tax assistance for e-commerce businesses was broadened.

The action plan implemented last November also reflected a concern for regional economic development. Accordingly, the ten-year tax holiday allowed manufacturing SMBs in the resource regions now applies to more businesses. Additional streamlining was introduced regarding the refundable tax credit for processing activities in the resource regions and the tax credits concerning the Vallée de l'aluminium and Gaspésie–Îles-de-la-Madeleine.

In addition, the great majority of measures announced regarding Investissement Québec are now operational:

- The legislation creating La Financière du Québec, a subsidiary of Investissement Québec, was passed and this new investment bank for Québec SMBs is now up and running.

- The SMB Spark program can now provide loans to start-up businesses.

- The SMB Guarantee program was adjusted to provide loans in addition to loan guarantees and introduce, until March 31, 2003, assistance for working capital for businesses experiencing temporary difficulties.

- Changes are to be made shortly to the Garantie COOP and Garantie OBNL programs to enable Investissement Québec to make capitalization or quasi-equity loans to cooperatives and non-profit organizations.

- The FAIRE program was extended until March 31, 2005 and its commitment envelope was raised, by $150 million in 2001-2002 and $200 million in 2002-2003.

  Eligibility for the program was broadened to projects of less than $5 million and projects that create a minimum of 50 jobs, until March 31, 2003. Furthermore, the program's terms and conditions were adjusted to achieve better coordination with certain fiscal measures.

The results so far are extremely positive. For instance, Investissement Québec, through the FAIRE program, with support from the Société générale de financement du Québec has accelerated investment projects throughout Québec.

Since November 1, 2001, the government has supported 30 projects involving private investments of $2.5 billion over the next three years. These initiatives include the Kruger paper mill in Mauricie, the Cargill meat packing plant in Montérégie, the ACI Telecentris call centre in Gaspésie and the Alouette project in the Côte-Nord region.

In addition, 27 other projects are currently being assessed, representing potential investment of $1.5 billion. Eventually, these 57 projects totalling $4 billion should result in the creation of over 9 000 permanent jobs.

A $3-billion Public-Sector Investment Acceleration Plan

To act quickly on the economy and improve public services, the government developed a major program to accelerate investment in health, education, road repair, social housing construction, research infrastructures, cultural facilities, early childhood centres and other services.

The objectives are ambitious. In addition to the capital expenditures already planned for the next three years, it provides for:

- accelerating $3 billion of public investment, including over $1.5 billion of work, during 2002;

- beginning over $1 billion of work before July 2002.

Project approval

Just four months after the public investment acceleration plan was announced, government departments, organizations and government corporations have approved 1 225 projects that will generate, mainly during the next two years, total investment of $2.2 billion. With funding of $1.9 billion from the Public Investment Acceleration Plan (PAIP) and with partners providing an additional $283 million, these investments will help create 16 300 direct jobs tied to these projects.

The government can now confirm 396 construction, development or expansion projects for $1.4 billion, including investments by partners, and the creation of some 10 100 direct jobs over approximately two years.

In addition, there are a further 663 renovation, repair or redevelopment projects for $569 million and 5 300 other direct jobs. Public services are also being improved through 166 projects for the purchase of equipment and other investments for $212 million and 900 more jobs.

Work is continuing to approve projects until the envelopes allocated by sector are exhausted. That means that projects worth over $1 billion remain to be identified.

TABLE 1
PROJECTS APPROVED BY INVESTMENT CATEGORY – MARCH 2002

Investment category	Number of projects[1]	Public investment acceleration plan (Millions of $)	Partners' share (Millions of $)	Total investments (Millions of $)	Direct jobs[2]
Construction, development and expansion	396	1 167	215	1 382	10 100
Renovation, repair and redevelopment	663	511	58	569	5 300
Equipment and other	166	202	10	212	900
Total	**1 225**	**1 880**	**283**	**2 163**	**16 300**

1 Projects approved are those that have been authorized to proceed.
2 These are direct jobs created over the length of the projects and measured in terms of person-years. Many projects are completed over a number of years. In addition to these direct jobs, there are 9 000 indirect jobs for a total of 25 300 jobs.

Advancement of projects

Projects have reached various stages of completion and are moving quickly to the start of construction. Currently, 203 projects are at the preliminary study stage, 329 at the plans and specifications stage, 528 at the call for tenders stage and 82 are at the contract awarding stage. In addition, construction is under way on 83 projects.

TABLE 2
STATE OF ADVANCEMENT OF PROJECTS – MARCH 2002

	Number of projects	PAIP financial contribution (Millions of $)
Preparatory stages		
• Preliminary studies	203	561
• Plans and specifications	329	529
• Call for tenders	528	563
• Contract awarding	82	119
Work under way	83	108
Total	**1 225**	**1 880**

Projects beginning before July 1, 2002

On the basis of the projects approved to date, government departments, organizations and government corporations have already confirmed that 866 projects for over $1 billion of work will have begun by July 1, 2002.

Many other projects will be approved over the coming weeks. Consequently, the objective set in the last Budget Speech to begin over $1 billion of work before July will likely be surpassed.

IMPROVED PUBLIC SERVICES

The action plan is already having tangible results in the fields covered by the public investment acceleration plan. The investment envelopes of the ministère de la Santé et des Services sociaux, the ministère des Transports, the ministère de la Famille et de l'Enfance, and the ministère de la Recherche, de la Science et de la Technologie have already been largely allocated to specific work. As far as government corporations and the information technology sector are concerned, all projects have been selected. Projects in each field covered by the Public Investment Acceleration Plan will contribute in various ways to improving public services.

TABLE 3
PUBLIC INVESTMENT ACCELERATION
RESULTS BY SECTOR – MARCH 2002

	Sector envelope	Approved projects	
Sectors	**(Millions of $)**	**Number**	**(Millions of $)**
Health and social services	500	310	371
Education	400	84	179
Transportation	400	411	400
Municipal affairs and Greater Montréal[1]	350	75	104
Société d'habitation du Québec	457	60	52
Research, science and technology	100	13	68
Culture and communications	100	138	50
Child and family welfare	50	78	42
Information technology	100	4	100
Other investments	—	8	14
Government corporations	500	44	500
Total	**2 957**	**1 225**	**1 880**

1 Including $10 million for local roads.

Health and social services

The $500 million of investment stipulated in the health sector will have an impact on the supply of public services. Until now, the ministère de la Santé et des Services sociaux has selected 310 projects that involve 1 153 initiatives in over 300 health and social services network institutions. These projects involve investments of $371 million.

In particular, these initiatives will:

- Increase access to emergency and health services, as in the following projects:
  - construction of the first ambulatory care centre for East End Montréal at the Maisonneuve-Rosemont hospital;
  - expansion and redevelopment of emergency wards at the Centre hospitalier de Lac-Mégantic and the Val-d'Or hospital;
  - redevelopment of the Centre hospitalier de Charlevoix, in particular to complete the shift to ambulatory care.
- Improve daily living conditions in institutions and the safety of persons who live in them, particularly older persons, through projects such as:
  - the construction of the Foyer Saint-François in Chicoutimi, adding 20 beds;
  - the expansion and renovation of the CHSLD-CLSC Bordeaux-Cartierville (Hôpital Saint-Joseph-de-la-Providence) in Montréal and of the Centre d'accueil Brassard in Saint-Michel-des-Saints;
  - the redevelopment of the Villa Prévost in Sainte-Claire.
- Modernize and increase access to specialized equipment, particularly through:
  - the addition of two radio-oncology therapy rooms at the Centre hospitalier régional de Rimouski, which will cut waiting lists and minimize patient transfers outside the region;

— the equipment of an ultra-modern burn unit at the Pavillon Enfant-Jésus in Québec, which will improve quality of and access to care.

- Improve patient well-being, reduce industrial accidents, and facilitate the work of staff in 59 hospitals, 53 long-term care hospital centres (CHSLDs) and 50 CLSCs by modernizing and computerizing small and medium-size laboratories and purchasing equipment, such as rail patient lifters, electric beds, therapeutic baths and home-support equipment.

Education

The investment envelope of $400 million for the education sector is intended for projects promoting greater access to education and improving the quality of premises and equipment. To date, 84 projects have been selected representing investments of $179 million.

- Concerning primary and secondary education and vocational training, 56 construction, development and equipment projects will be carried out, including:

  — the redevelopment or expansion of 100 classes including specialized facilities (laboratories, libraries and computer facilities), in 23 school boards;

  — the construction of seven gymnasiums (Rimouski, Clermont, Québec, Trois-Rivières, Lac-à-la-tortue, Saint-André-Avellin and Bonaventure);

  — the addition of some 900 places in 18 vocational training centres, including those in Morillac, Lac-Abitibi, Dalbé-Viau, La Croisée, l'École des métiers du meuble and the one in Les Patriotes facilitating the introduction of new study programs in promising sectors.

- In the college system, investments will be made in refurbishing buildings, purchasing equipment and updating technical laboratories. To date, 14 construction and renovation projects have been selected, including:

  — the expansion of the library of the Cégep de Saint-Jean-sur-Richelieu;

  — major renovations to the farm technology institutes in Saint-Hyacinthe and La Pocatière;

— a major investment in food processing technology at the Cégep régional de Lanaudière à Joliette.

- Four projects in the university system will add 1 750 places in leading sectors. These investments are designed to respond to the need for personnel in the information technology sector, including software engineering, computer engineering and microelectronics, as well as the pharmaceutical sector:

  — the construction of one new teaching and research building at McGill University and another at the École de technologie supérieure;

  — the construction of a new building for the Faculté de pharmacie of the Université de Montréal;

  — the creation of an immunovirology and cancer research institute at the Université de Montréal.

In addition to these major projects, investments in renovation will be made at almost all Québec universities.

Transportation

The government announced in the 2002-2003 Budget that it would invest $1.4 billion on the road system over the coming year. Of this amount, the ministère des Transports has applied $400 million from the Public Investment Acceleration Plan, selecting 411 projects. These projects affect 316 municipalities and involve road improvement and development, as well as the preservation of road surfaces and structures through:

- the repair of almost 2 400 kilometres of road, or 8% of Québec's road system;

- the improvement of 68 structures, such as bridges and overpasses;

- work will be carried out throughout Québec, affecting all highways. For instance, work will be done on highways 110, 132, 137, 138, 155, 169, 173, 175, 201, 220, 323 as well as autoroutes 10, 15, 20, 30, 40, 55 and 640;

- major work is planned in the municipalities of La Prairie, Saint-François-Xavier-de-Brompton, Saint-Nicolas, Alma, Coteau-du-Lac, Mont-Tremblant, Cloridorme, Saint-Fabien, Baie-Comeau, Grondines, Cap-Santé, Repentigny, Sainte-Anne-de-la-Pérade, Saint-Célestin and Gatineau.

These improvements will improve road safety.

Municipal affairs and Greater Montréal

The $350-million envelope of the ministère des Affaires municipales et de la Métropole will fund projects to repair water, sewer and sewage treatment systems, economic development, revitalize urban and village environments, acquire or renovate community buildings and develop a network of protected spaces. To date, 75 projects have been selected for $104 million. In particular, these investments will contribute to:

- major renovation work to the water and sewer systems of many municipalities, such as Saint-Charles-Borromée, Lanoraie, Saint-Mathieu-de-Rioux, Saint-Esprit and Sayabec;
- the development and enhancement of the Saint-Charles River in Québec City (phase 1);
- the construction of a purification plant in Saint-Denis-sur-Richelieu to improve the quality of the water of the Richelieu River and improve the treatment of industrial waste;
- the expansion of the Marché Jean-Talon in Montréal;
- the repair of the Centre Georges-Vézina in Chicoutimi;
- the construction of an indoor skating rink at the Cité des jeunes stadium in Rivière-du-Loup.

Société d'habitation du Québec

The public investment acceleration plan includes an envelope of $457 million for the construction or renovation of 34 000 dwellings over five years.[1] These initiatives will help add 13 000 dwellings and renovate 21 000 others. The new housing units will help relieve a substantially tighter rental housing market with low vacancy rates.

To date, 60 projects have been selected, giving rise to 800 initiatives for an investment of $52 million. This investment will result in the construction or renovation of 6 200 housing units in 2002.

- The Programme de revitalisation des vieux quartiers, which is now Rénovation Québec, has been improved and expanded to all municipalities. So far, renovation projects have been authorized covering 5 000 dwellings in Chicoutimi, Gatineau, Granby, Joliette, Lachute, Longueuil, Montréal, Québec, Saint-Jérôme, Salaberry-de-Valleyfield, Sept-Îles, Shawinigan and Sherbrooke;

- As part of the renewal of the AccèsLogis program for low-income households, the Société d'habitation du Québec plans to complete over 1 200 housing units in 2002, of which over 700[2] will be available before next July.

In addition, the implementation of the new Logement abordable Québec program will add 1 500 housing units over the next twelve months.

Research, science and technology

With the envelope of $100 million it has been allocated, the ministère de la Recherche, de la Science et de la Technologie has so far selected 13 projects for $68 million. This investment will:

- Accelerate development in the optics-photonics, mining and health research sectors through the following projects:

  — expansion of the Institut national d'optique;

  — expansion of the Institut de recherches cliniques de Montréal;

  — consolidation of the expertise of the Consortium de recherche minérale.

1 In addition, 6 000 dwellings will be renovated through the RénoVillage program, bringing the total number to 40 000.

2 With the inclusion of last year's programming, over 1 000 dwellings will be available by next July.

- Promote the development of projects in new sectors that will help make Québec more competitive, such as the development of wind power in Gaspésie by building a test stand of three wind generators.

- Contribute to significant discoveries for Québec society, in particular through the implementation of a scientific development program at the Centre de recherche clinique et évaluative en oncologie at the Hôtel-Dieu de Québec.

Culture and communications

To date, with the envelope of $100 million it has been allocated, the ministère de la Culture et des Communications has selected 138 projects for an investment of $50 million. These investments will help improve public access to culture, as well as the quality of its relation with artists and their works. Projects include:

- The construction, expansion or renovation of 17 libraries, helping to provide quality services to over 100 000 people. In addition, work in four regional public library service centres will improve services to over 600 000 people in various regions of Québec.

- The construction, expansion and renovation of 10 playhouses and entertainment buildings will add 1 200 seats and modernize 5 000 other spaces.

- The enrichment of library collections will encourage people to visit libraries and develop reading habits.

- The renewal of the permanent exhibitions of 12 museum institutions in 11 regions of Québec will help secure public loyalty and increase attendance. These exhibitions are museum's basic source of attraction, contributing to tourism and the regional economy.

- Lastly, 59 projects involve the restoration of religious buildings and the renovation of built heritage. This will encourage the preservation of historical landmarks and the sources of expression of Québec's first performers and artists.

Child and family welfare

The planned investment of $50 million by the ministère de la Famille et de l'Enfance will have a tangible impact for families: the addition of 5 000 day care places over the next two years to the commitments in the Department's development plan that has already been implemented.

To date, 78 projects for the construction or expansion of early childhood centres have been selected for an investment of $42 million. These projects will add another 4 000 day care spaces.

Information technology

An envelope of $100 million has been allocated to information technology for the following projects:

- A project of the Inspector General of Financial Institutions for the modernization of Québec's registry of businesses will in particular afford better public access to all the organization's products and services.

- The ministère de la Justice will implement an integrated justice information system enabling reliable electronic information exchange among all players in the administration of justice, on criminal and penal, civil and youth matters throughout Québec.

- Two projects under the responsibility of the ministère du Revenu involve the overhaul of the processing of personal and corporate returns to improve their efficiency in particular regarding the reliability and availability of information as well as mechanisms for its protection. These projects will in particular help respond to taxpayers' requests within prescribed periods and ensure that taxpayers can be quickly advised of the state of their file and informed of the legal aspects of income tax.

For two of these projects, namely the modernization of the business registry and the overhaul of the corporate tax system, the departments responsible will soon issue calls for tenders to develop and implement the information systems involved. The two other projects are still at the plan formulation stage.

Other investments

A total of $14 million has been allocated to the Commission de la Capitale nationale and to the ministère des Ressources naturelles for eight investment projects.

The Commission de la Capitale nationale du Québec will move quickly to activate a variety of projects designed mainly to develop heritage sites in the Capitale nationale. These projects will be completed by the end of 2002. Besides the leverage generated by the Commission's investments, the work will help enhance public spaces, enable the repair of the Séminaire courtyard and redevelop the Place du 400e anniversaire de la Ville de Québec.

In addition, the ministère des Ressources naturelles will participate in financing the project to provide natural gas service for municipalities in the Lotbinière region. The project, which has been approved by the Régie de l'énergie, is much anticipated by industry and stakeholders in this region. It will contribute to regional economic development, in particular by making many of the region's industries more competitive. In addition, natural gas use will help reduce greenhouse gas emissions.

Government corporations

In the 2002-2003 Budget Speech, government corporations undertook to advance the timing of public investments worth $500 million and representing 44 investment projects tied to construction, renovation and the purchase of equipment in all sectors of the economy and in every region of Québec. Some of the more notable projects are:

- Société des établissements de plein air du Québec (SEPAQ):
  - consolidation and improvement of SEPAQ establishments;
  - creation of Plaisances and Anticosti national parks;
  - construction of 45 chalets in wildlife reserves and recreation-tourism centres;
  - continuation of the Station écotouristique de Duchesnay development plan.

- Société immobilière du Québec (SIQ):
  - construction of the Îlot Balmoral cultural complex including the hall of the Montréal Symphony Orchestra, the Conservatoire de musique et d'art dramatique as well as a government administrative centre;
  - the relocation of the Québec Court of Appeal to the Ernest-Cormier building, which will be restored;
  - expansion of the public health laboratory in Sainte-Anne-de-Bellevue;
  - major repair work and redevelopment of the Sept-Îles court house;
  - construction of the museum repository and major repair work to the Youville parking garage in Québec City.
- Société des alcools du Québec (SAQ):
  - construction of a bottling plant for the Maison des Futailles;
  - relocation of the Montréal specialized distribution centre;
  - construction of a distribution centre in Montréal
  - branch construction and expansion projects.
- Loto-Québec:
  - construction of a 2 000-space parking lot near the Hull casino;
  - expansion of the Manoir Richelieu golf course.
- Hydro-Québec:
  - work on the Eastmain 1 power generator.

CONCLUSION

The results described in this document show that the Action Plan to Support Employment and Economic Activity that was quickly implemented by the government is meeting the objectives set in the 2002-2003 Budget.

Accordingly, the rapid injection of over $400 million to support consumption has contributed to the rise in consumer confidence since last October. In addition to these results, private sector investments worth $2.5 billion have received support from the government, representing 30 projects that have already been authorized and will be carried out over the next three years.

To date, 1 225 projects have been approved under the Public Investment Acceleration Plan. These projects should generate, mainly over the next two years, 16 300 direct jobs and close to $2.2 billion of investment. The government can already confirm that over $1 billion worth of work will be under way by July 2002.

In addition to appreciably improving public services, these initiatives will also clearly support the recovery. Many economic indicators give us reason to be more optimistic for Québec than in the fall. Economic growth should accelerate over the coming year. Retail sales are up. Housing starts are very strong. And, thanks to the government's intervention, investment intentions for 2002 are rising faster in Québec than in the rest of Canada.